

BUILD AMERICA BONDS

CREATING JOBS, GENERATING ECONOMIC GROWTH AND IMPROVING INFRASTRUCTURE

Build America Bonds is a federal bonding program that will create an infusion of \$50 billion in new transportation infrastructure funding. This one-time funding opportunity will empower states and local governments to complete significant infrastructure projects for all modes of transportation including roads, rail, transit, aviation and water. These funds will be in addition to current TEA-21 dollars and will allow cash-strapped states to significantly improve their transportation infrastructure, create millions of jobs and generate significant economic growth.

KEY COMPONENTS OF BUILD AMERICA BONDS

- **CREATE JOBS** – For every \$1 billion invested in federal highway and transit infrastructure, an estimated 47,500 jobs are created. Build America Bonds have the potential to create more than 2.3 million new jobs over a three-year period.
- **GENERATE ECONOMIC GROWTH** – For every \$1 billion invested in federal transportation infrastructure, an estimated \$6 billion in economic activity is generated. Build America Bonds have the potential to generate over \$300 billion in economic activity.
- **IMPROVE INFRASTRUCTURE** – Build America Bonds will generate \$50 billion in new transportation infrastructure funding throughout the nation. This one time funding opportunity will enable states and local governments to complete critical infrastructure projects and improve all modes of transportation including roads, rail, transit, aviation and water.

BACKGROUND

Under this legislation, Build America Bonds will be issued by a federally-chartered, non-profit organization—the Build America Corporation—to serve as the centralized issuer of the bonds. A portion of the bond proceeds will be set aside in the Build America Trust Fund and will be invested in federal agency bonds or other high-grade instruments infusing \$50 billion in new infrastructure investment. At maturity, the proceeds from this investment will be sufficient to repay the bond principal. The taxable federal bonds will have a term of 30 years and states will not be liable for the repayment of the bonds.

In lieu of interest, the bond holders will receive tax credits that can be applied against the holders' federal income tax liability. The Build America Corporation will be authorized to separate the principal component from the tax credits and market each portion of the instrument to various groups of buyers. Under this structure, the principal will be marketed to groups seeking safe long-term investments like pension funds, while the tax credits will be marketed to investors anticipating federal income tax liability. There will be an active and continuous secondary market in both the principal and tax credit portions to assure liquidity.

The state or local grant recipients will be required to provide traditional matching funds, and the funding will be conditioned on state departments of transportation updating their approved materials and technology to allow for the most efficient and cost-effective construction materials and methods. This will ensure that the funds generated from the Build America Bonds will maximize job creation and economic growth.

For more information, please contact Rich Chrismer in Senator Talent's office at (202) 224-6154, or Lisa Wade Raasch and Carol Guthrie in Senator Wyden's office at (202) 224-5244.